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NATIONAL INTELLIGENCE DAILY CABLE

Friday August 27, 1976

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State Department review completed



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National Intelligence Daily Cable for Friday August 27, 1976.

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The NID Cable is for the purpose of informing senior US officials.

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# EGYPT-LIBYA: Situation Report

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[redacted] The Egyptians may now be in the process of moving [redacted] to the Libyan border the major ground force units that would complete the kind of buildup needed for a showdown with Libya.

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[redacted] Over the past few months, the Egyptians have proceeded at a deliberate pace to bolster their forces near the border.

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[ ] The political preparation for a possible move against Libya also appears to be continuing. The Cairo press yesterday harped on the hijacking last Monday of an Egyptian airliner, allegedly by Libyans, as well as the inequities of the Qadhafi regime.

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[ ] While the US embassy in Cairo detects some tendency in press treatment to draw back from the idea of a firm commitment to take action against Qadhafi, the basic theme that retribution against him is coming is being sustained in the Egyptian media.

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SOUTH AFRICA: Work Boycott

The work stoppage among Soweto residents appears to have ended, but it showed that student militants have made important headway in their effort to involve South Africa's urban

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blacks in a disruptive protest movement against the apartheid system. Some blacks in Soweto, including Zulu tribesmen, reacted violently against the militants' tactics, but the boycott was clearly more successful than the first Soweto work stoppage three weeks ago, which fizzled out after the first day.

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[ ] On Monday roughly 80 percent of the 200,000 industrial workers who usually commute from the black township to Johannesburg were absent from their jobs. Absenteeism declined only slightly during the subsequent two days of the boycott.

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[ ] The boycott was clearly more thoroughly organized than the one three weeks ago. Student leaders called meetings in high schools late last week to recruit other students, who distributed leaflets over the weekend calling for the work stoppage.

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[ ] Police authorities encouraged Soweto residents who wanted to continue working to arm themselves with clubs to fend off harassment by the militants. Bloody attacks on the militants by hundreds of Zulu tribesmen living in Soweto's bachelor barracks and not participating in the boycott broke out on Tuesday. According to some reports, the Zulus were encouraged by the police. The ensuing violence produced more casualties and required greater police intervention than was the case during the boycott.

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[ ] Many Soweto residents apparently were deterred from going to work by threats that their homes would be burned while they were away and by transportation bottlenecks that prevented them from getting to Johannesburg. The spread of random fighting between Zulus and other Soweto residents also contributed to the absenteeism.

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[ ] Many of the pamphlets distributed in Soweto last weekend reportedly carried the name of the African National Congress, the outlawed black organization that has been suppressed inside South Africa since 1960.

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[ ] The congress' exiled leaders, who have maintained a prolific propaganda apparatus abroad, have wasted no time in playing up the violence. Acting congress president Oliver Tambo yesterday issued a statement calling on all black Africans to intensify the struggle against apartheid.

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[ ] Although the boycott caused local disruptions in factories and businesses in the Johannesburg area, economic pressures on black workers could militate against further work stoppages. South Africa's economy currently suffers from falling gold prices and a recession. This has affected blacks more than whites, and black unemployment has risen rapidly. [ ]

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#### CHINA: Harvest Prospects

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[ ] China still has little chance of matching last year's mediocre grain output of about 260 million tons, excluding soybeans, unless the weather improves markedly.

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[ ] The fall-harvested grains, especially intermediate and late rice, were sown late. If fall weather comes early this year the 1976 grain output will be far below that of last year.//

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[ ] The Chinese needed a better than normal early grain harvest this year, especially in southern China, because the 1975 late rice crop was poor in some areas, and unusually low temperatures throughout the winter and spring of 1975-1976 reduced the output of winter vegetables and other important supplemental foods. Normally, grain supplies in China are tightest in the spring and summer prior to the beginning of the early harvest.

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[ ] The spring-summer harvest got off to a poor start because of drought in northern China and prolonged rainfall in central, southern, and northwestern China at the time of seeding. Growth was retarded by a continuation of dry weather in the extreme north; most other areas received timely rain, but temperatures were the lowest in years. Rains delayed harvesting in most of northern China.

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[ ] Early rice has been set back by unusually late spring frost and unseasonably low temperatures throughout the summer. On balance, bad weather probably affected the early rice crop more than the spring-summer harvest.

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[ ] //According to Premier Hua Kuo-feng, China is drawing down its grain stocks to avoid new purchases at this time. Roughly 2 million tons of wheat are scheduled for delivery from Canada and Australia between April 1976 and March 1977. The Chinese have the option of purchasing another 2 million tons under long-term agreements with these suppliers.//

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[ ] //Whether Peking will be forced to re-enter the grain market will depend on how far it is willing to draw down stocks and on the outcome of the fall harvest. China recently purchased at least 100,000 tons of Brazilian soybeans, apparently as a buffer against a short harvest of rapeseed.//

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#### USSR-KOREA: Reactions to Incident

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[ ] The Soviets' limited reaction to tensions in the Korean Demilitarized Zone suggests that Moscow's primary concern is avoiding a detrimental impact on relations with the US. Moscow is also anxious to discourage any additional show of what the Soviets see as North Korean adventurism.

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[ ] The Soviets' propaganda support for North Korea has been even more half-hearted than their support in 1969, when a US EC-121 reconnaissance aircraft was shot down by North Korea. Moscow's only gesture thus far has been a statement issued by the Soviet-backed World Federation of Trade Unions protesting the US military build-up in Korea and calling on the US to comply with the UN resolution on the withdrawal of US forces from Korea.

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[ ] *Pravda* has said nothing since last weekend, when it carried two brief articles on the US build-up. Other Soviet media have been similarly restrained; none has yet carried any of the North Korean accounts of the incident.

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[ ] Private Soviet comment seems to be aimed at dissociating the USSR from North Korea's actions. One Soviet official in Eastern Europe has said flatly that the incident was a North Korean "provocation," and attributed it to North Korea's desire to draw the attention of the nonaligned to the US military presence in South Korea.

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[ ] The most extensive Soviet comment has come from a Soviet academic specialist on the Orient, who expressed regret and outrage over the incident and launched into a tirade against "irresponsible and hot-headed leaders of non-countries" like North Korea who seek to embroil the great powers in a war. He compared North Korean President Kim Il-song to the Balkan princes who sparked World War I, and compared Kim's behavior unfavorably with that of Vietnamese leaders.

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[ ] The Soviet scholar said that, as far as he knew, Kim's prospective trip to the USSR this year would still come off, but not until the current furor dies down. Last year, the Soviets turned aside Kim's request to go to the USSR, in part because they did not want to identify themselves with his policies in the post-Vietnam environment.

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[ ] These statements about Kim doubtless have been embroidered somewhat for the benefit of the US, but they are in line with Moscow's long-standing opposition to adventurism by Kim. While the Soviets pay lip service to North Korea's position on US troop withdrawals, they still see their interests best served by a continuation of the status quo on the Korean peninsula.

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[ ] The Chinese, meanwhile, while registering cautious support for Pyongyang, continue to minimize the significance of the events at Panmunjom. Chinese media have not directly commented on the slayings; Peking-owned newspapers in Hong Kong have taken the line that tensions are already abating in Korea. Several of these commentaries have also asserted that the US will not fight another war in Asia, implying Chinese confidence that the US remains opposed to attempts to heighten tensions in the region.

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IAEA - SOUTH AFRICA: Expulsion of Pretoria

[REDACTED] //A call for South Africa's expulsion from the International Atomic Energy Agency is expected to be made at the Agency's conference in Rio de Janeiro in September and at two meetings of the Board of Governors.//

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[REDACTED] //At the Board of Governors meeting in mid-June, 11 of the 34 members expressed reservations about seating South Africa on the Board for 1976-1977. The Nigerians said last month that they will propose expelling South Africa at the general conference.//

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[REDACTED] //Expulsion may be difficult because under IAEA statutes a member can only be suspended, and even this would require two thirds of the members to agree that South Africa has persistently violated the statutes. Moreover, the statutes are almost exclusively limited to the Agency's substantive responsibilities in the safeguards and atomic applications areas.//

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[REDACTED] //Paris and Pretoria will ask the Board at its pre-conference meeting to approve an agreement providing for safeguards on two nuclear power reactors South Africa has ordered from France. This tactic may be intended to play on the fears of some members who believe that South Africa might not implement this proposed agreement if expelled from the IAEA. In a related move South Africa on August 20 initiated discussion with the Agency on the application of safeguards to a commercial uranium enrichment plant in South Africa. This is in sharp contrast to Pretoria's previous vacillation on such an agreement.//

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[REDACTED] //Although suspension or expulsion cannot be ruled out, it is more likely that a move will be made to challenge the credentials of South Africa's delegation. Should this occur, it is expected that a sufficient majority would vote against seating the delegation.//

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[REDACTED] //The question of credentials is bound to come up at the Board of Governors' meeting immediately after the conference. The Africans, Arabs, and East Europeans have consistently voted against Pretoria in other UN agencies, making it extremely unlikely that the South African representative would be permitted to take his seat.//

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[REDACTED] //Pretoria maintains that expulsion would be illegal, but appears resigned to the likelihood of some punitive move. One French Foreign Ministry official is less pessimistic and thinks the South Africans could head off expulsion by intensively lobbying among moderate members, such as the Ivory Coast and Senegal.

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WESTERN EUROPE: Drought

25X1 [ ] Continuing dry weather in Western Europe has led to a flurry of economic measures to deal with falling farm incomes and rising food prices.

25X1 [ ] France so far has initiated the most ambitious aid program. The cabinet, before its dissolution this week, decided to provide "immediately" about \$450 million to the most seriously affected farmers. Due to administrative delays, however, farmers will probably have to wait 30 to 45 days before receiving the allotted aid.

25X1 [ ] Direct payments will go to livestock producers based on the size of their herds and the intensity of the drought's impact on their operations.

25X1 [ ] Payments will be limited to a maximum of about \$1,200 per farmer. The repayment period for drought-related loans granted this year from the state-owned farmers' bank has been extended to seven years from the usual four. In addition, Paris will pay the interest charged this year on loans to young farmers in the most seriously affected areas.

25X1 [ ] The aid package is the first installment of an overall \$1.5-billion program to be announced on September 29. To pay for it, the government proposed that parliament increase direct taxes; only those on middle and upper incomes are likely to be affected.

25X1 [ ] Last Wednesday, West Germany allotted \$24 million to drought-stricken farmers; comparable aid contributions from state governments are expected. About \$17 million of the federal funds will subsidize interest rates for farmer credits. The remainder will be dispensed as direct aid to the most needy farmers.

25X1 [ ] With the economic loss to the farm sector estimated at \$1 billion to \$2 billion, and approximately 55,000 farmers in financial trouble, the aid program will be only marginally effective.

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[ ] The European Community is continuing to lower import restrictions on agricultural products in an attempt to offset reduced domestic production and contain food price increases. Because vegetable prices are expected to be the most volatile, the EC Council has recently agreed to suspend import duties through the end of September on a variety of fresh vegetables.

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[ ] While duties on frozen and processed vegetables will continue, persistent dry conditions may move the EC to suspend these levies as well. A meeting of the special agricultural committee has been called for September 7 to discuss possible suspension of duties on other products. Those on potatoes had earlier been discontinued and some grain import restrictions eased.

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[ ] So far, the UK's major concern has been maintaining employment in industries facing water shortages. Drought conditions are so severe in south Wales that water supplies to industry will be cut 50 percent starting September 15. Households in the area already have their water supplies shut off for 17 hours a day.

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[ ] Some local industry leaders are warning of a return to a 3-day work week. The seriousness of the situation has prompted the government to appoint a water czar to coordinate conservation and supply efforts.

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[ ] Some form of aid to British farmers appears imminent. London is most likely to accept a 10-percent devaluation of the "green pound"--the special exchange rate used in agricultural trade with the EC. This move would meet farmers' demands for higher support prices, as well as please other EC members who dislike subsidizing UK food imports.

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[ ] The inevitable rise in food prices following such a move will create additional strains on the government's all-important relationship with its trade union allies.

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[ ] Because the drought's impact has been less severe in Italy, the adoption of significant agricultural aid programs there appears unlikely. [ ]

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PHILIPPINES: Communist Leader Captured

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[REDACTED] //The Philippine government's announcement of the capture of the commander of the New People's Army, the military arm of the pro-Chinese Philippine Communist Party, provides a major psychological boost for the Marcos administration.//

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[REDACTED]

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[REDACTED] //The actual guiding hand of the Communist Party is chairman Jose Maria Sison, a bright young university instructor who went underground after breaking from the moribund pro-Soviet party in 1968. The estimated 1,600 regulars of the New People's Army are centered in northeastern Luzon. Although the government is worried about the communist insurgency's spread to other islands, it has been generally well contained by the Philippine armed forces.//

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[REDACTED] //The Communist guerrillas have been overshadowed as a threat to the government in recent years by the much larger Muslim insurgency in the southern Philippines.// [REDACTED]

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[REDACTED]

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USSR: Nonaligned Summit

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[ ] An editorial on Monday in the *People's Daily* announced that China was satisfied with the results of the nonaligned summit conference in Colombo last week, ignoring those decisions which did not accord with the Chinese line. The USSR, on the other hand, has indicated through its tepid reporting of the event that it is disappointed.

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[ ] China has taken special delight in conference resolutions that indirectly condemned the USSR along with the US for increased military tension in the Indian Ocean and the Mediterranean and for economic exploitation of the third world. It also welcomed the nonaligned's use of the Chinese formulation "hegemonic relations" in warning of the dangers of all forms of imperialism. Less pleasing to the Chinese but unmentioned in the editorial were such nonaligned actions as commending Cuba for its role in Angola and rejecting the Malaysian resolution for a zone of peace and neutrality in Southeast Asia.

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[ ] Although the Soviet press build-up prior to the summit was extensive, once the conference convened the Soviets did little more than replay statements by friends of the USSR and the allegedly warm response to General Secretary Brezhnev's message of greetings. The only signed *Pravda* piece on the subject that appeared during the summit took the nonaligned to task for failing to absolve the USSR of responsibility for economic problems in the third world, for subscribing to the thesis of the "hegemony of the super powers," and for equating Soviet and US behavior in the Indian Ocean.

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[ ] Soviet officials profess privately that they are unconcerned about the results of the summit. One official said that the conference had no significance and would not affect Soviet policy. The Soviets have worked hard over the years to ingratiate themselves with the nonaligned, however, and they are likely to increase their efforts now that they see increasing competition from their chief rivals, China and the US.

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